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Shall private enterprise survive?

[Indianapolis]

[1920]

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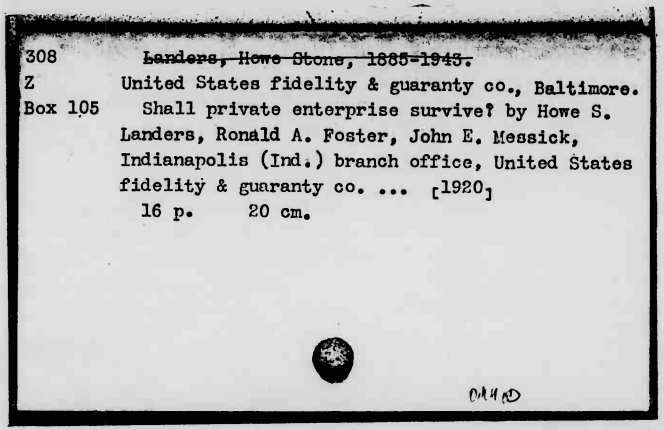
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SHALL PRIVATE ENTERPRISE SURVIVE?

By

HOWE S. LANDERS
RONALD A. FOSTER
JOHN E. MESSICK

INDIANAPOLIS (IND.) BRANCH OFFICE

UNITED STATES FIDELITY & GUARANTY CO.

December 27, 1920

Managers and Agents,
U.S. Fidelity & Guaranty Co.:

For your own interest and for educational purposes I urgently request you to read this article. It is No. 2 of a series of four articles, all bearing on the same subject and sent you at intervals of one week for four weeks.

John R. Bland
President

OB Conway P. 1923

Shall Private Enterprise Survive?

IN the last twenty years many complex problems have confronted the American people. In the discussion of details, fundamentals have often been overlooked. The war alone did not produce our confusion and unrest. It matured the maladies, as the heat of the sun matures vicious weeds in shallow soil.

For years there has been a tendency to drift from the fundamental principles upon which our representative republican form of government rests. This followed the exploitation of old ideas, hailed as new. Innumerable so-called reforms and new ways of doing things were put forward. These have contributed greatly to the rapidly culminating unrest of the day.

Consider all of today's many phases of unrest; the clamor for socialism, co-operativeism and kindred "isms," and behind each "ism" we find propaganda. Every specious offshoot of economics, practiced and preached by people in the United States, together with floods of foreign-born doctrines of economics has its more or less organized propaganda.

An idea is the most powerful force in the world. Propaganda is the spread of ideas. The war taught us this. German propaganda routed the Russians, the Italians and almost routed the French. We must be careful of the ideas we spread, for ideas can destroy nations. An idea

menaces the whole economic policy in America today.

This is obvious when one considers the mighty part the practical application of economic science plays in the drama of life. Casting aside all technical definitions, economics may be described as the science which embraces all forms of human activity, having for their purpose the acquisition of property, gratification of wants, desires and aspirations, together with all the physical pleasures that property and money can buy. Scientifically, it is "the science incident to production, consumption, exchange and distribution of wealth."

Considering the above definitions, one must see that all present-day problems that lead to unrest grow out of the various views of economics entertained by various people and classes. Somewhere along the line there must be and is a correct system of economics which, strictly practiced, will solve the problems that lead to unrest.

It therefore becomes necessary for the people of the United States to consider what economic practices have developed under the individual liberties guaranteed by our form of government. It is necessary to look at our form of government to see just what we have and determine what are its foundation stones.

The men who founded our government—Washington, Franklin, Hamilton, Jefferson—were students of political economy, familiar with the histories of governments and profoundly schooled in a knowledge of human nature. They knew that the world had tried absolute monarchies, limited monarchies and various forms of autocracies. The pendulum had swung the other way and men had exploited democracies, socialistic states, communistic districts, and co-operative communities.

The super-men who founded this republic knew that since Rome never had there been a government founded upon the representative republican theory. Not even in Rome was it recognized as a fundamental principle that

the people had inalienable rights which the government must protect. The powers of our executive, legislative and judicial branches of government were defined, together with their connecting checks and balances. While individual rights were guaranteed in a general way in the Constitution, this did not satisfy the people and they insisted that these rights must be specifically enumerated and guaranteed in the first ten amendments.

Among the many rights accruing from our form of government none is more precious than the right to own property. It is to this right and its exercise and development that we must look to determine the economic policy that has been followed by our government. The guarantee of individual rights has resulted in the American policy of competition. This economic policy of competition has been widely misnamed. It has been called a "capitalistic" system. Capital has been used by private enterprise in competing, growing and developing, but we have not a capitalistic economic policy. It is and has been a competitive system. Individuals have in the spirit of private enterprise competed in selling for a profit the commodity produced by their hands, their brains and their services. They have thus enhanced the value of the products and the services of their competitors, who were likewise working for a profit and met competition by bettering their products and services.

The great benefit from protected individual rights has been that individuals, knowing that they could make and retain profits, have builded railroads, homes, schools and shrines of art; have reclaimed lands, deepened waterways, and drained marsh-lands: in a word, have done those things which uplift and promote the well-being and the happiness of our citizens.

Essentially the most important unit of our government is the individual. From the protected right of self-betterment and consequent individual initiative there have

sprung art, literature, business, commerce, cities, science and all that has made the United States of America the most glorious nation that has existed since history was first recorded.

Until about 1880, our people kept in mind the fundamental principles upon which our government rested and seemed to be in accord with regard to the development of individual and private enterprise. We were not far removed from the men who founded this country and we knew that we could not without reaping disaster preach ideals and theories inconsistent with our fundamentals. We valued our heritage and solved our problems according to our basic principles of government, and not according to expediency. We so valued our heritage that we were unwilling to risk exchanging it for an "ism" offered by some class organizer, actuated by selfish purposes.

The further we have become removed from the fathers who builded our government for us, the less we have understood and valued the fundamentals upon which that government rests. Like many who inherit a fortune, we have been willing to squander our priceless heritage—a representative republic, guaranteeing individual rights. Since 1880, and particularly in the last fifteen years, class organizers have led a part of us astray from basic principles. It is this departure and the apparent support given to various "isms" that we have to thank for the present unrest. We have rated lightly our economic policy of competition, which grew side by side with the guarantee of individual rights.

Today we are confronted with demands for the abolishment of private enterprise, the abolishment of private ownership of property, and the abolishment of the right of private enterprise to profits from the sale of services or commodities. In exchange for these priceless American rights, these agitators would give us socialism, a failure wherever and whenever tried; communism, equally as old

and specious; co-operativeism or mutualism, with the abolishment of private profit, and many other "isms," old but sometimes clothed with new names. People have been enchanted by various "isms." They have been led astray by class organizers. They have been hoodwinked into a desire for the economics of the socialists, the co-operativists, and the communists. The influence of these class organizers has led others astray, until now many classes are clamoring for the practice of the economics of the socialist, the co-operativist and the communist.

The American Encyclopedia gives no separate definition of "co-operation" and "communism." It refers the reader to "socialism." It defines "socialism" as follows:

> The doctrine that society ought to be reorganized on more harmonious and equitable principles. Communism and co-operation are its principal divisions and variety.
>
> Co-operation is understood to be that branch of socialism which is engaged exclusively with theories of labor and distribution of profits and which advocates a combination of many to gain advantages not to be reached by individuals.

The story and development of these doctrines of socialism, co-operative endeavor and communism are almost as old as written history. The ancient Greeks had such schemes; Phaleas of Chalcedon was a co-operative and communist. Attempts at collective effort instead of individual effort were made by the Jews before Christ.

Robert Owen, English Socialist, was the founder of the co-operative movement in England. A careful reading of text-books and authorities, including the Encyclopædia Britannica, 11th edition, shows that socialism, co-operation, communism, mutualism, and anarchism branch from one trunk and theory; namely, the production by groups

and classes as against production by individual and private enterprise.

Subtle distinctions are drawn between some of these branches of socialism. The ultimate end of every socialistic scheme of economics is the elimination of private ownership of property and of the right of individuals to private profit. This is best expressed by the defined purpose of co-operative enterprise; "the complete merging of capital and labor." Our people understand that socialism is a menace, but there is in our country a misunderstood system of socialistic economics, growing as a gathering storm. This is the co-operative policy in the practice of economics, imported from Central Europe. As a theory of business co-operation means that there should not be a competitive production or distribution but class production and class distribution: co-operative distribution means classes and masses arranging a system of distribution among themselves without paying private profit. Co-operative production means the production of necessities of life by classes and masses without paying a private profit. Co-operative insurance means that classes and masses through an organizer furnish co-operative, reciprocal or mutual insurance without paying a profit to private enterprise or commissions to middlemen who have heretofore transacted insurance under the American system of competition in industry.

The theory of co-operative production and distribution has gained ground in those foreign countries in which individual rights are not guaranteed as in America. In those countries, individuals, not having guarantees of protection and an equal opportunity of self-betterment, naturally group themselves into classes for the production of things they must have. This grouping was an exigency of the conditions and not an advanced step in the social order. Germany developed a plan of credits whereby classes and masses with government subsidies could secure credit at

cost. This was a sedative given by an autocratic government instead of individual liberty.

In this country, the co-operative experiment seeking to substitute co-operative effort for individual and private enterprise has gained much headway. The economic principles of socialism, as expressed through co-operative associations, are being practiced in the United States by many of our best Americans through a lack of understanding. The establishment of such an association is usually effected by someone who thinks he can organize a group of people for the production and the distribution of some necessity without paying anyone a profit. In most instances, these organizers know nothing of economics and care less. They think only of what they may get for themselves out of such a class organization; invariably, the organizer gets a job.

Few co-operative converts reflect upon the liability they assume. They lose sight of the basic principle that we cannot get something for nothing. The alluring phrase "Why pay a profit?" has led many a successful enterprise to its ruin. Our courts have consistently held that membership in a co-operative association constitutes an unlimited partnership. An examination of the Supreme Court records shows the path of financial history strewn with wrecks made by the enforcement of the liability which accompanies co-operative membership.

Staunch Americans, although believing in private profit in their own business and believing firmly in the American Government, have permitted themselves, through the lure of "securing something at cost," to become parties to a co-operative enterprise. As a subscriber or member of such an organization they have set an example of openly endorsing co-operative economics.

The subscriber in a co-operative association seldom reflects that his action in that is in direct contradiction of what he practices and desires in the conduct of his own

business. He sells his product for a profit. He believes in the justice of a profit on the capital invested in his own business. He inconsistently denies this when he purchases his necessities at cost through the class co-operative organization of which he is a member. The organizers of such groups or classes or co-operatives, seeking to enlarge their membership, have printed tons of propaganda, designed to attract new converts. This propaganda literally asks: "Why pay private profit to the stockholders of a corporation or an individual for something that you can get from the class organization at cost?"

For years this has been dinned into the ears of the business men of America. Through advertisements, pamphlet and solicitations to join a class enterprise, the co-operative gospel has been preached until today we are confronted with the question whether private enterprise and the inherent rights of individuals shall continue in this country.

If every American would thoroughly acquaint himself with his form of government, and learn that it is good because it guarantees individual rights, he would not co-operate in encouraging in this land of ours class organizers who preach the abolishment of private profit. Such organizations sow seeds of discord among the American people and may eventually bring down upon us a pestilential demand for socialism.

The abolishment of private profit in industry means the abolishment of private property. The real rights of private property are:

a. Unqualified right of use and control without detriment to others.

b. Recognition of this right by a majority.

c. Power of constituted authority to maintain this right against all comers.

If we take from private property the profit that comes from ownership we virtually take the property.

One is amazed on perceiving the number of persons in this country practicing the policy laid down by the advocates of co-operation. The majority practice co-operation through ignorance that it leads to socialism and possibly to Bolshevism. Co-operation is being advocated by American farmers in many parts of the country. These farmers do not keep in mind that in Europe co-operative farming has long been practiced and private ownership of land thereby terminated. They fail to realize that they can maintain their private ownership of land only by following the American policy of competition.

Groups of people all over the country practice co-operative economics through co-operative stores. Great industrial enterprises practice co-operative economics by forming themselves into groups to carry their insurance through either a reciprocal or mutual organization which claims to furnish their insurance "at cost." These persons are hastening the day when there will be no private ownership of property.

Some time ago there was held at Chicago a co-operative congress. It was the openly avowed purpose of this congress so to develop the co-operative policy of economics in this country as to change our representative republic into a co-operative commonwealth. This congress naturally followed the example set by so many Americans who are thoughtlessly practicing one type of socialism in the formation of co-operative associations.

At a meeting this year of the American Federation of Labor it was resolved, so the press informs us, that legislation should be demanded of the Federal Government, whereby it "will control credit capital and eliminate the private control by those whose chief interest is accumulation of profits resulting inevitably in the open door for profiteering. We repeat and emphasize the demand of

organized labor that control of credit be taken from the hands of private financiers and placed in the hands of a public agency to be administered by voluntary and co-operative method."

Not long ago an advertisement appeared in a great daily newspaper as follows:

> "This is an invitation extended to concerns that want to stop paying heavy profits to stockholders on insurance the law compels you to provide.
>
> "An invitation to you to stop paying agents' commissions on insurance that does not have to be 'sold' you.
>
> "You can also secure your automobile liability insurance without paying agents' commission. You can buy it without paying stockholders' profits."
>
> "The Liberty Mutual is a mutual company—not a 'stock' company with stockholders' profits to pay."

This is a typical example of the advertisements used by the organizers of co-operative enterprises. Those whom these particular organizers desire to secure are America's greatest business men—men who should know economics and men who practice competition in their own business. This advertisement, we believe, suggested to thousands of persons the pernicious thought that private profit should not be paid for any necessity.

Such advertisements and appeals are vicious. The harm they do needs little or no discussion. If we believe in the fundamentals of the American government we must carry out in practice the American policy of competition in business. With the complete development of the economic principles of co-operation the individual will lose his freedom. The Standard Dictionary will tell you that co-operation means a union of labor and capital. Carried to its logical end, farmers will lose ownership of their lands,

and private enterprise, generally, will lose ownership of property.

The reformers and experimenters have attempted to turn our model republic into a socialistic state. Witness the initiative, referendum and recall introduced into the constitution of so many of our states. Such innovations must be checked or the republic will die. Thoughtless, selfish people and spineless politicians have been responsible. We need look no further for some of the causes of the present unrest.

Along with the insidious encroachments of co-operation, individual rights have been endangered by the cry of government ownership. We have already forms of government ownership in many of the states, and in some states we have vicious state monopolies. Government ownership of any kind of business is socialism and if one private enterprise may be destroyed by government or state ownership all private enterprise may be so destroyed.

Having realized their idea of government ownership in some of the states, its advocates are now urging the government ownership of industries by the Federal Government. We still have a plan for the nationalization of railroads and coal mines, and this logically would lead to the nationalization of every private enterprise. If we cannot see this menace, we are hopelessly ignorant of the blessings we enjoy and of the danger that is imminent.

In England, France, Russia, Germany, Belgium, Italy, Switzerland and Denmark there are millions of co-operativists operating in every conceivable form of human endeavor. These organizations have candidates for office and are making a determined effort to gain control of governments and legislation. There is even a movement for a federation of all the co-operative societies of Europe of which there are some thirty thousand. These societies, by an international organization, propose to exchange their products without private profit by substituting class

for individual. There are local propaganda organizations in all of the above countries, and there is now an international propaganda bureau preaching the abolishment of private profit and the substitution of class endeavor.

We have the same propaganda agencies in America. The March issue of the *Red Cross Magazine* contained an article that deserves careful thought. It was entitled "The Finns' Way" and described and eulogized the Finnish Co-operative Society at Fitchburg, Mass. The organizer of this co-operative society admitted that the founders were socialists. There could be no argument upon that point, as a careful reading of the doctrines and preachments of co-operative organizers and the very theory upon which they are founded (that class should supplant the individual), prove conclusively the socialistic foundation of such organizations.

The reciprocal or co-operative idea in America has been developed by scheming American organizers. Recently one of these organizers was soliciting members in a co-operative insurance scheme among representative business men. In a public debate upon the question he stated that he had no knowledge of economics, and, therefore, could not discuss the relation his institution bore to fundamental Americanism. In other words this organizer had no knowledge of the science underlying all business. This is a potent example of the organizer who seeks to create an income for himself around some "ism."

Thousands of anarchists, communists and socialists, whose desire is the overthrow of government, have come to our shores. Although the countries which they left are rapidly being debauched by the socialistic doctrines which they preach, they are trying to introduce them here. Propaganda from various agencies is being sent broadcast by the ton. It is merely the first lesson in socialism.

Fruit-growers of the west have reciprocal or co-operative exchanges for the marketing of their products, thus elim-

inating wholesalers, jobbers and retailers, who carry out in practice the American economic policy of competition.

These same agencies are starting what they call "co-operative advertising campaigns." They do not realize that should our land be reduced to a co-operative commonwealth there would be no need for advertisement of any kind. Sales would be regulated and not based upon the merit of the product. Nor would there be private ownership of property. What each class needs would be determined by a government agency. That means socialism.

For more than four thousand years no government has stood unless it was based upon the individual ownership of property and the protection of property rights. We are now confronted with the question of preserving our American institutions. American prosperity is the outgrowth of our policy of competition. It is a question of preserving that policy and the rights of the individual, thus preserving our representative republic.

Abraham Lincoln said: "Build, rather than destroy. Property is the fruit of labor; property is desirable, is a positive good in the world. That some should be rich shows that others may become rich, and hence is just encouragement to industry and enterprise. Let not him who is homeless tear down the house of another, but let him work diligently and build one for himself, thus by example assuring that his own shall be safe from violence of other people."

Can we expect to continue the private ownership of property if we practice class economics? Can we expect to preserve American institutions, if we substitute class effort for individual and private enterprise? Have we not reached a period in our history when good citizenship must be determined by actions as well as words? We must adhere to the one plan which will prevent America from becoming either an autocracy or a socialistic democracy.

Is it conceivable that the owners of factories, stores,

farms and vineyards, bankers and merchants and all other groups of people who are now members of some co-operative enterprise, desire to substitute for the American representative republic a system of socialism? Socialism means involuntary servitude, crushed talent, strangled thrift and confiscation. In fact, a socialistic government is the meanest and basest government on earth.

Of course, these followers of co-operative agencies desire no such thing. They do not realize that they are blazing the way for middle-Europe co-operativeism and thereby aiding in the destruction of private enterprise and individual effort. No agency directly preaching the overthrow of government could be so effective as the example of a number of co-operative enterprises, which advertise that middlemen should be eliminated, which extend invitations to people to join in order to stop paying profits to stockholders, and which seek to stop paying profits for the services of the middleman. Among the middlemen in this country are some of our finest citizens. They have a right to do business for a profit. Their services are of such value as to justify the profit they receive. Our policy of competition in business grants equal opportunity for profit to everyone because it is founded upon the constitutional guarantee of individual rights.

There is a remedy. It is that every American citizen who believes in the private ownership of property, the American form of government, the inalienable rights of individuals, and the right of himself to receive a profit for his product, get out of the co-operative association if he is a member and turn his back on any invitation to become a member.

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